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SUBJECT: NETHERLANDS: FINANCE MINISTER BOS UNLIKELY TO BEND ON
ICESAVE DEAL

REFTEL: REYKJAVIK 0003

¶1. The Government of the Netherlands (GONL) is unlikely to accept any solution other than full repayment of the 1.3 billion euro (USD 1.87 billion) loan it issued to the Government of Iceland in October 2008. The loan was to help Iceland repay Dutch deposit holders after the bankruptcy of Internet bank Icesave, part of the Landsbanki. The GONL is highly displeased with the January 5 decision by Icelandic President Grimsson not to sign a bill that would have guaranteed full repayment of the loan and to refer the matter instead to a public referendum (reftel). (Note: Iceland passed a bill in August 2009 that also provided for full repayment, but the GONL rejected it as insufficient, as it contained problematic amendments such as an end-date for repayment regardless of whether all debts had been paid. End note.)

¶2. In his official statement on January 5, Dutch Finance Minister (and Deputy Prime Minister) Wouter Bos said he was "very disappointed" that President Grimsson had not signed the bill. "The Netherlands, in any event, insists that Iceland is obliged to repay the loan," said Bos. "It is unacceptable that the Icesave issue has not yet been resolved. The Netherlands will shortly enter talks with the United Kingdom [which similarly provided a loan to Iceland to cover debts to British deposit holders in Icesave] to discuss this." Bos noted that "blocking the repayment will not increase [Dutch] enthusiasm for support from the IMF to Iceland." Age Bakker, the Dutch Executive Director at the IMF, said that there would be "firm discussions" with Iceland. Rochus Pronk, Deputy European Correspondent at the Dutch Ministry of Foreign Affairs, also told us recently that the GONL would be unlikely to support Iceland's candidacy for EU membership until the Icesave issue is adequately resolved. Most Dutch political parties, including those in the opposition, support Bos's firm position; the Liberal Party (VVD) has called for an emergency debate to urge Bos to take an even harsher stance, including legal action. Bos on January 7, however, said he did not intend to pursue legal remedies since they would take too long. He said the Netherlands would exert political and economic pressure to resolve this impasse.

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